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OFFICE OF STRATEGIC PLANNING AND BUDGETING
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JOINT LEGISLATIVE BUDGET COMMITTEE
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Gary M. Yaquinto
Director, OSPB

Richard Stavneak
Director, JLBC Staff

August 21, 2006

The Honorable Janet Napolitano
Governor of Arizona
Office of the Governor
1700 W. Washington
Phoenix, Arizona 85007

The Honorable Ken Bennett
Senate President
Arizona State Senate
1700 W. Washington
Phoenix, Arizona 85007

The Honorable James Weiers
Speaker of the House
Arizona House of Representatives
1700 W. Washington
Phoenix, Arizona 85007

Dear Governor Napolitano, President Bennett and Speaker Weiers:

Laws 2005, Chapter 286 provides that the staff director of the Joint Legislative Budget Committee (JLBC) and the Governor's Office of Strategic Planning and Budgeting (OSPB) shall jointly determine whether FY 2006 revenue collections exceed the FY 2006 forecast from May 2005, and, if so, by how much. These estimates are to be used to fulfill the requirements of Chapter 286, which appropriates revenues in excess of the enacted budget estimate into the Budget Stabilization Fund (BSF).

As we reported on July 28, 2006, based on preliminary estimates, the two offices determined that an additional \$146,701,600 was to be deposited into the BSF as a result of this provision. The July 28th preliminary report also indicated that a final report providing any subsequent adjustments to the BSF appropriation and excess revenue amounts would be issued by August 21, 2006.

Based on revised estimates, FY 2006 revenue collections, excluding the beginning balance, are estimated to be \$9,280,187,200. This amount is \$18,553,000 greater than the preliminary estimate from the July 28th report. This increase results in an additional \$1,298,700 to be deposited into the BSF.

A.R.S. § 35-144 limits the balance of the BSF to 7% of the current year's General Fund revenues (excluding the beginning balance). Based on final FY 2006 revenue collections, the revised maximum BSF balance is \$649,613,100 (\$9,280,187,200 x 7%). The June 30, 2006 balance in the BSF was \$501,612,800. Based on the 7% cap and the June 30th balance, the revised amount of excess FY 2006 revenues to be deposited into the BSF is \$148,000,300. This amount is \$1,298,700 higher than the previously reported \$146,701,600. Table 1 below provides a summary of FY 2006 BSF activity through June 30th and the remaining BSF deposit.

Table 1	
FY 2006 Budget Stabilization Fund	
Beginning Balance	\$160,834,400
Deposits	
Excess Revenues – 1 st Half FY 2006	332,957,600
Interest Earnings	7,901,700
Subtotal – Deposits	340,859,300
Withdrawals ^{1/}	
Tax Refund Account	(12,300)
Consumer Loss Recovery Fund	(68,600)
Subtotal – Withdrawals	(80,900)
Balance – June 30, 2006	501,612,800
Excess Revenue Deposit – 2 nd Half FY 2006	148,000,300
Maximum FY 2006 BSF Balance	\$649,613,100
<u>1/</u> Payment of alternative fuel vehicle claims.	

Sincerely,

Gary M. Yaquinto, Director, OSPB

Richard Stavneak, Director, JLBC

xc: David Peterson, State Treasurer